

Medi-Cal Pharmacy Benefits Division  
Pricing Calculation Examples

**Here is the rule Medi-Cal uses to calculate its net cost per unit:**

Medi-Cal's net cost per unit is calculated as the lower of AWP - 17% or Federal Upper Limit Price (FUL) or State Upper Limit Price (MAIC), minus all manufacturer rebates. In some cases, differences in the pharmacist's fee must also be included (for example, when a new product can replace two older prescriptions, Medi-Cal will take into account the decrease in dispensing fees.)

**NOTE: This spreadsheet only illustrates how Medi-Cal calculates its cost for drugs. It is not intended to be a format to use for submitting your business proposal. Please contact the pharmacist reviewing your product if you have questions about how your business proposal should be presented.**

<b>Example 1 - Medi-Cal AMP Cost Calculation</b>	
AWP - 17% single source drug (most common example)	
Gorillacillin® 500 mg capsules - a single source drug.	
Price per capsule	
AWP	\$3.00
AWP - 17% (calculated as AWP x 0.83)	\$2.49
Federal Upper Limit price (FUL or FAC)	N/A
State Maximum Allowable Ingredient Cost (MAIC)	N/A
<b>Medi-Cal's lowest price (lowest of the above). This is the price we are willing to pay to pharmacies.</b>	
	<b>\$2.49</b>
AMP (Average Manufacturer's Price), as reported to HCFA	\$2.25
<b>Medi-Cal's AMP calculation</b>	
In this example, Medi-Cal agrees to add a drug to the List if the manufacturer will give us a 40% rebate over HCFA	
HCFA rebate (best price + CPI adjustments) %	27%
California supplemental rebate %	40%
Total rebate %	67%
AMP	\$2.25
HCFA rebate amount (AMP x 27%)	\$ 0.61
Calif supplemental rebate amount (AMP x 40%)	\$ 0.90
<b>Total rebate amount per unit</b>	<b>\$ 1.51</b>
Therefore, Medi-Cal's cost is calculated as:	
Medi-Cal's Lowest Price (AWP - 17% in this case)	\$2.49
minus total rebates	-\$1.51
to give <b>Medi-Cal's net cost</b>	<b>\$0.98</b>

<b>Example 2 - Medi-Cal AMP Cost Calculation</b>	
AWP - 17% Generic drug	
Garbanzocillin 500 mg capsules - a multi-source drug that has no federal or state upper price limits	
Price per capsule	
AWP	\$3.00
AWP - 17% (calculated as AWP x 0.83)	\$2.49
Federal Upper Limit price (FUL or FAC)	N/A
State Maximum Allowable Ingredient Cost (MAIC)	N/A
<b>Medi-Cal's lowest price</b>	
	<b>\$2.49</b>
AMP (Average Manufacturer's Price), as reported to HCFA	\$0.50
<b>Medi-Cal's AMP calculation</b>	
In this example, Medi-Cal agrees to add a drug to the List if the manufacturer will give us a 40% rebate over HCFA	
HCFA rebate (straight 11%)	11%
California supplemental rebate %	40%
Total rebate %	51%
AMP	\$ 0.50
HCFA rebate amount (AMP x 11%)	\$ 0.06
Calif supplemental rebate amount (AMP x 40%)	\$ 0.20
<b>Total rebate amount per unit</b>	<b>\$ 0.26</b>
Therefore, Medi-Cal's cost is calculated as:	
Medi-Cal's Lowest Price (AWP - 5% in this case)	\$2.49
minus total rebates	-\$0.26
to give <b>Medi-Cal's net cost</b>	<b>\$2.23</b>

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**Example 3 - Medi-Cal Net Price Cost Calculation**

AWP - 17% drug single source drug (most common example)

Brocollicillin® 500 mg capsules - a single source drug.

Price per capsule

AWP	\$3.00
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AWP - 17% (calculated as AWP x 0.83)	\$2.49
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Federal Upper Limit price (FUL or FAC)	N/A
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State Maximum Allowable Ingredient Cost (MAIC)	N/A
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**Medi-Cal's lowest price (lowest of the above).**

<b>This is the price we are willing to pay to pharmacies.</b>	<b>\$2.49</b>
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AMP (Average Manufacturer's Price), as reported to HCFA	\$2.25
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**Medi-Cal's Net Price calculation**

In this example, Medi-Cal agrees to add a drug to the List if the manufacturer will guarantee that Medi-Cal's price will be \$2.00 per capsule.

Medi-Cal's lowest price	\$2.49
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Medi-Cal's net price	-\$2.00
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Difference (total amount that must be rebated from manufacturer to Medi-Cal)	\$0.49
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Percent rebate off AMP	22%
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With a net price contract, Medi-Cal's net price is the contracted price.	\$2.00
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**Example 4 - Medi-Cal Net Price Cost Calculation**

AWP - 17% Generic drug

Tomatocillin 500 mg capsules - a multi-source drug that has no federal or state upper price limits

Price per capsule

AWP	\$3.00
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AWP - 17% (calculated as AWP x 0.83)	\$2.49
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Federal Upper Limit price (FUL or FAC)	N/A
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State Maximum Allowable Ingredient Cost (MAIC)	N/A
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<b>Medi-Cal's lowest price</b>	<b>\$2.49</b>
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AMP (Average Manufacturer's Price), as reported to HCFA	\$0.50
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**Medi-Cal's Net Price calculation**

In this example, Medi-Cal agrees to add a drug to the List if the manufacturer will guarantee that Medi-Cal's price will be \$2.00 per capsule. Since the AWP is inflated, the manufacturer must rebate a very large amount to reach the net price.

Medi-Cal's lowest price	\$2.49
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Medi-Cal's net price	-\$2.00
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Difference (total amount that must be rebated from manufacturer to Medi-Cal)	\$0.49
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Percent rebate off AMP	98%
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With a net price contract, Medi-Cal's net price is the contracted price.	\$2.00
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**Additional Comments:**

Before 2003, Medi-Cal typically priced drugs at the lower of AWP - 5% or the Direct Price for a handful of selected manufacturers, or Federal Upper Limit (FUL) price or California Maximum Allowable Ingredient Cost (MAIC). Effective 2003, the Legislature changed Medi-Cal's reimbursement formula to the lower of AWP - 10%, or FUL or MAIC. Direct Price is no longer used. Effective October 1, 2004, the California Legislature reduced Medi-Cal's reimbursement to the lower of AWP - 17%, or FUL or MAIC.